

HOW WILL THE COST OF HOUSING IMPACT OFFICER RETENTION EFFORTS
OF SMALL MUNICIPAL LAW ENFORCEMENT AGENCIES BY 2010?

A Project presented to
California Commission on
Peace Officer Standards and Training

by
Glenn M. Nielsen
Atherton Police Department
Command College Class XXX

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This Command College project is a FUTURES study of a particular emerging issue in law enforcement. Its purpose is NOT to predict the future, but rather to project a number of possible scenarios for strategic planning consideration.

Defining the future differs from analyzing the past because the future has not yet happened. In this project, useful alternatives have been formulated systematically so that the planner can respond to a range of possible future environments.

Managing the future means influencing the future, creating it, constraining it, adapting to it. A futures study points the way.

The views and conclusions expressed in the Command College project are those of the author and are not necessarily those of the Commission on Peace Officer Standards and Training (POST).

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CHAPTER ONE

ISSUE IDENTIFICATION

Statement of the Issue

The research for this project seeks to answer the following question: How will the cost of housing impact officer retention efforts of small municipal law enforcement agencies by 2010? Officer retention is defined as the ability to retain qualified and trained law enforcement officers. A small law enforcement agency is one that employs fewer than fifty sworn officers.

Officer retention efforts are a serious concern for many law enforcement agencies throughout the country. The problem is especially exacerbated in the San Francisco Bay Area due to the significant lack of affordable housing. This is not a problem isolated to the profession of law enforcement, but one that is challenging the efforts to retain all service providers.

Introduction

San Francisco Bay Area law enforcement agencies are not the only ones experiencing the retention problems associated with the housing affordability problem. A few agencies have implemented assistance programs, but the programs have been mostly ineffective. This project presents an option to help rectify the officer retention problem related to housing which actually turns to the cause of the problem itself: the success of Silicon Valley.

It should be noted that there are a number of reasons why a police officer in Silicon Valley might leave his or her employer to accept employment with another law

enforcement employer in other parts of the State. The lack of affordable housing may not be the only reason, but the research shows that it is indeed a significant factor and a trend that seems to be increasing.

This research examines the housing markets and demonstrates that the solutions to the problems of providing affordable housing go far beyond simple mass production of affordable units. The extent of the problem and the current needs for affordable housing in Silicon Valley will be addressed as well as a few unique programs designed for the retention of employees by local governments.

The data for this project was gathered by interviewing governmental officials, residential housing developers, real estate agents and brokers, loan brokers and affordable housing developers. Additional data came from literature scanning.

The geographical area known and referred throughout this report as Silicon Valley is a geographic region located within the San Francisco Bay Area. It is defined as including the following regions:¹

- Northwest Santa Clara County
- San Jose/Milpitas
- Southwest Santa Clara County
- Southern Santa Clara County
- Southern Alameda County
- Southern San Mateo County

Many believe that the current state of the U.S. economy is attributable in part to the booming economy in the San Francisco Bay Area that includes the geographic area known as Silicon Valley. Silicon Valley's growth and prosperity is the direct result of its leadership role in the technology field and it continues to attract some of the best and

most innovative people from around the world to seek employment opportunities and to establish residency. While this area has a unique concentration of people, high technology corporations, and is fertile ground for the development of new ideas, its success has also created a unique challenge.

The cost of housing in the Silicon Valley is not an isolated problem. Other regions within the United States also are experiencing the unique challenges that relate to expensive housing. For example, in the Manhattan area of New York State and in the beach communities of Southern California, the median price for single-family homes spans from \$800,000 to \$1,100,000.² For the basis of this project, the Silicon Valley will be identified as the model for this research, yet the forecasts and strategies presented to address the issue of housing costs and officer retention efforts can be applied to any housing market where law enforcement employee income levels preclude them from purchasing homes near their workplace.

The success of Silicon Valley corporations and the desire to reside in Silicon Valley has pushed the price of simple homes to an unachievable level for many prospective homebuyers. Housing production in Silicon Valley has not kept pace with the number of new jobs in the region, creating one of the least affordable housing markets in the nation. This in turn has caused a crisis in housing affordability for low-income and moderate-income residents. The current economic expansion in the Silicon Valley region is frequently seen as more of a curse than a blessing for low-wage earners.

Silicon Valley's burgeoning economy has produced more jobs than housing units, particularly in job-rich communities. Between 1995 and 2020, the rate of job growth in Silicon Valley is projected to more than double the increase in the number of households

(36 percent versus 17 percent).³ Consequently, the cost of buying or renting a place to live in the region has soared. Given the amount, location, and type of units being planned, the region's housing costs are expected to remain among the highest in the nation. In 1993, the most recent year for which data is available, Santa Clara County and the San Francisco-Oakland metropolitan area ranked eighth among the country's worst housing markets based on the ratio of low-income renters to low-income units.⁴

Silicon Valley has experienced unprecedented levels of employment growth and the unemployment rate is enjoying some of the lowest ratings in many years.⁵ The housing shortage to accommodate the workforce has become a critical concern for the region's business and environmental interests. Private corporations as well as law enforcement agencies are having problems recruiting and retaining workers due to the limited availability of housing units. "Transportation and housing have been big issues for the Bay Area for as long as I've been here, 17 years," said Richard O'Brien, corporate economist for Hewlett-Packard. "It's nothing new; it's just gotten worse every year and will probably continue to get worse. And it does pose problems for businesses, particularly in hiring new, younger workers."⁶

While jobs in Silicon Valley are abundant and law enforcement agencies are competing to hire qualified applicants, affordable housing is not. People are migrating to places where real estate prices are considerably lower, and traveling longer distances to get to work. This housing-jobs mismatch has already begun to have a significant impact on the entire Bay Area.

Environmental Scanning

The overall conditions for purchasing a home throughout the nation are favorable. Since 1994, the national rate of homeownership has risen to a record level of 65.4 percent.⁷ This boom can be explained by the fact that employment is at a thirty-year high, home price inflation in most places has been kept to a minimum, and financing terms are compelling. At a national level, all of the factors have helped moderate-income homebuyers purchase their first homes. But things are not so favorable in Silicon Valley. The table below reports the percentage of families who can afford to purchase a home in selected California regions.⁸

CALIFORNIA HOUSING AFFORDABILITY INDEX			
All numbers represent percentages			
	Oct. 00	Sept. 00	Oct. 99
CA - single family	30	31	37
CA - condos	42	42	50
US - single family	54	53	55
Los Angeles	35	34	40
S.F. Bay Area	16	18	25
San Mateo County	28	27	32
Santa Clara County	18	20	29

Table 1.1

As indicated in Table 1.1, the percentage of families who can afford to purchase a home in Silicon Valley regions is significantly lower than in other areas in the nation.

Anyone who works or lives in the Silicon Valley knows that housing prices are not only high, but they are climbing higher. Silicon Valley housing prices are among the highest in the United States. An average single-family home costs \$617,000 as of May 2000, an increase of eighty-seven percent from just five years ago.⁹ Almost on a daily

basis, the media addresses the housing shortage and lack of affordable housing in Silicon Valley where a relatively modest home may cost \$550,000 and a fixer-upper can run \$450,000. The inventory of affordable housing in Silicon Valley dropped nearly fifty percent last year while rents increased twenty-six percent.¹⁰

Although housing prices have been rising steadily throughout the region, the rate of increase has been much higher in Silicon Valley where between 1995 and 1999, housing prices rose 46.2 percent.¹¹ These prices are particularly challenging for first time homebuyers who do not have any existing equity in a Silicon Valley home to transfer into the purchase of a new home. Families with the Silicon Valley median income of \$87,000 can only afford 14.4 percent of the available homes on the market.¹²

Many newcomers to the Silicon Valley have difficulty coming up with enough salary to cover a large mortgage payment or with enough cash to pay down the mortgage. As a result, many workers are opting to commute long distances to find a house they can afford. It is not unusual for someone working in Silicon Valley to live in eastern Contra Costa County where the median price of homes ranges between \$150,000 and \$170,000, or in the San Joaquin Valley where new homes are as low as \$100,000.¹³ The temptation to purchase one of these homes has led to daily commutes measured in hours, not minutes.

Too Little Land

Land supply is one of the primary causes of the problem. Without housing sites, there can be no development, regardless of demand. Housing yield is an important concept to aid in understanding the implications of land supply. It involves regulatory

and market conditions which dictate the number of housing units that can occupy a piece of land. Many cities in the Silicon Valley have adopted urban growth boundaries to prevent sprawl and to protect the remaining open space. A significant portion of that development is planned in areas distant from those earmarked for commercial/industrial development.¹⁴

Vacant land supply could increase in response to modifications in public policy and zoning regulations, such as a city deciding to extend its urban service area. In addition, most communities are only now beginning to systematically assess the development potential of the number and type of homes that can be built on any given site. This assessment could either increase or decrease the practical usage of underutilized sites. Conditions, such as changing demographics, may make housing products like small-lot single-family homes and townhouses much more popular than they have been in the past.

More Jobs; More People

The Bay Area's population is growing larger, older, and more diverse. By 2020, 7.8 million people will inhabit the Bay Area, 1.4 million more than in 1995, and Silicon Valley will be home to more than one-third of the Bay Area's households and jobs. However, this region is growing more slowly than the State of California. Between 1995 and 2020, the population of the Bay Area will grow approximately twenty-two percent, while California's population will jump fifty-three percent.¹⁵

The most dramatic demographic change in the State of California will be the sharp increase in the number of people sixty-five and older. Between 1995 and 2020, this

age group will nearly double, growing from twelve percent of the population in 1995, to twenty percent in 2020. But the most startling increase will be in the over-eighty-five age bracket which will more than double, expanding from 91,600, or 1.4 percent of the population, in 1995 to more than 223,000 (2.8 percent) in 2020.¹⁶ Accompanying the increasing senior population will be a reduction in the turnover of homes. This, in conjunction with the influx of people into the Silicon Valley, will further adversely impact the inventory of available home and subsequently the affordability of those homes.

SILICON VALLEY CHANGING DEMOGRAPHICS

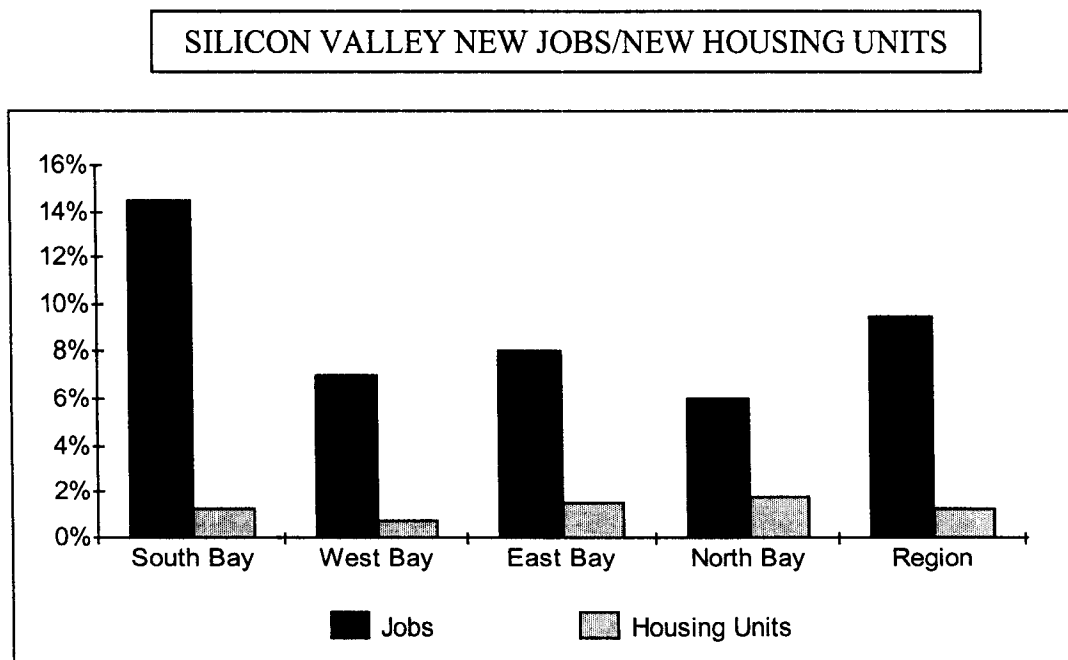
	<u>1995</u>	<u>2020</u>
Population	6.4 Mil	7.8 Mil
Households	2.3 Mil	2.8 Mil
Jobs	3.0 Mil	4.4 Mil
Employed residents	3.1 Mil	4.2 Mil
85 years and older	1%	3%
65 years and older	12%	20%
Less than 20 years old	28%	20%
Less than 5 years old	8%	6%

Table 1.2

Conventional wisdom dictates that more jobs lead to more people, which leads to more housing. Silicon Valley has defied that type of logic. Approximately two out of three new workers in the Silicon Valley have to find housing elsewhere and the trend is for more of the same.¹⁷ Cisco Systems Inc., Silicon Valley's single largest employer, is adding 20,000 new jobs in the City of San Jose, and the local government has no plans to address the associated housing and commuting problems.¹⁸

During the past five years, job growth in Silicon Valley has been remarkable. More than 220,000 jobs have been added to the region since 1995 and between 15,000 and 20,000 new jobs are anticipated in the year of 2000 alone.¹⁹

In recent years, Silicon Valley has created five new jobs for every new housing unit built. Between 1995 and 2010, approximately 100,000 new housing units are projected compared to about 400,000 new jobs. With approximately 1.9 workers per household, a shortfall of more than 100,000 new homes by 2010 will still result. The most severe housing imbalances will be in northwest Santa Clara County where several large employers are located.²⁰ Graph 1.1 represents how the number of new jobs in the Silicon Valley is outpacing the construction of new housing units.



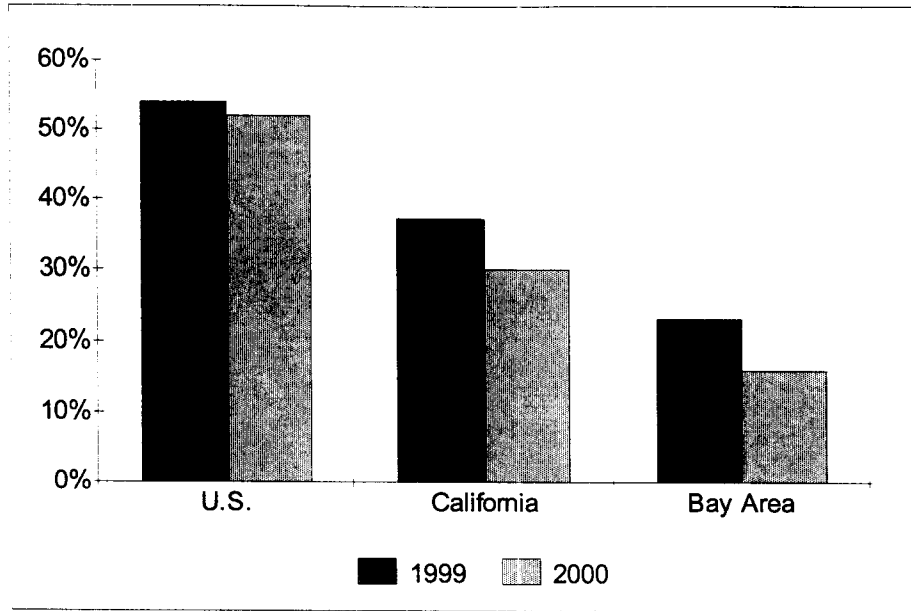
Graph 1.1

The scarcity of homes near Silicon Valley job centers will continue to negatively affect the region's housing market and transportation systems. In the next two decades, housing prices near job centers will rise even further. So too will the congestion on freeways connecting Silicon Valley with the counties outside of the region which will adversely affect employees commuting into the area.

Housing Affordability

California and specifically the San Francisco Bay Area (parts lie within the Silicon Valley geographic area) are no exception to what is happening in the rest of the country; rather the problems are amplified in every respect. The affordability index measures the percentage of households that can afford to purchase a median-priced home and it is considered the most fundamental measure of the well being of housing. Housing affordability in California fell in August 2000 to twenty nine percent, a decrease of six percentage points from August of 1999.²¹ This is in contrast to the nationwide affordability rate of fifty-two percent.²² The affordability factors in Silicon Valley are even more dismal. San Mateo County residents have an affordability rating of only thirteen percent and Santa Clara County's rate is eighteen percent. The Bay Area region as a whole has an affordability rating of sixteen percent.²³ Graph 1.2 presents affordability rating decreases from 1999 to 2000.

HOUSEHOLDS THAT CAN AFFORD A MEDIAN-PRICED HOME



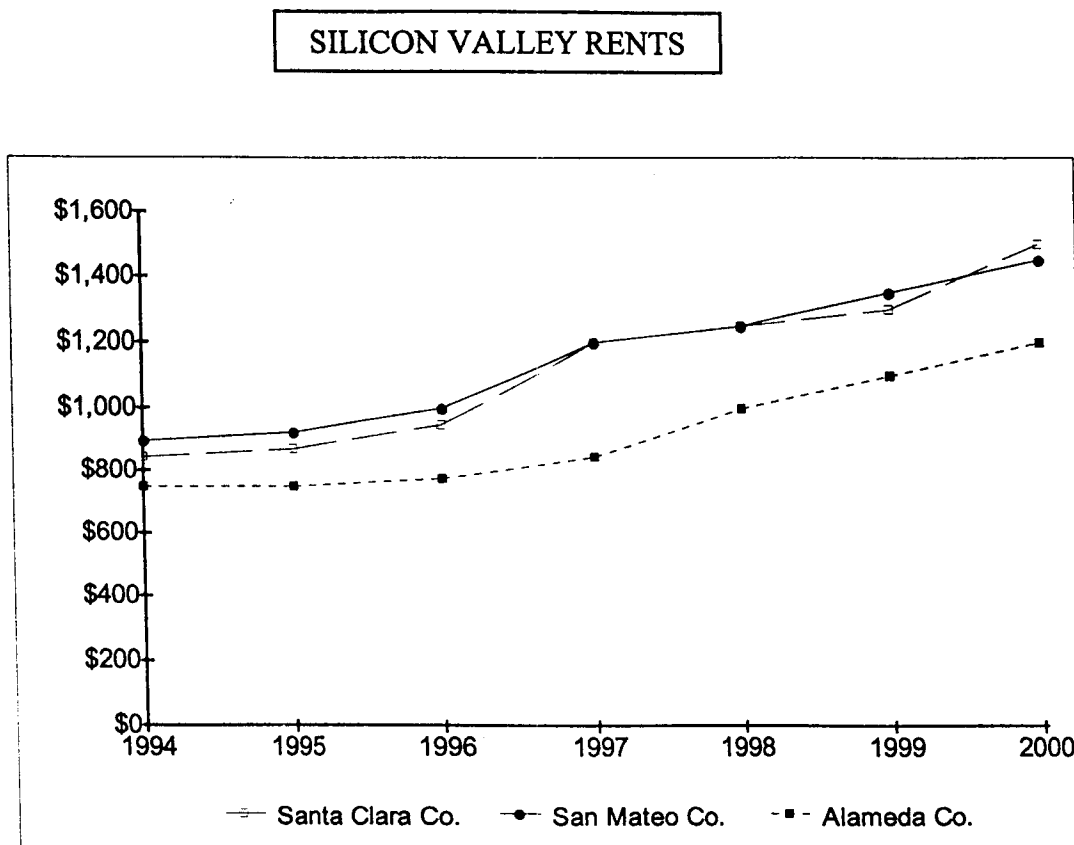
Graph 1.2

The home ownership boom seems to have no end. Recently, houses for sale receive multiple offers prior to designated offer-acceptance dates, and many of those offers are above the posted asking price for the home.

Rental Market

Households earning less than fifty percent of area median (those who use at least half their income to pay for housing) depend upon the rental market for housing. Rentals in the Silicon Valley increased 32.4 percent over the past year. They have increased more than sixty percent in the past five years in Santa Clara and San Mateo Counties,

outpacing even the most generous salary increases. This rate is three times greater than rental markets outside of the Silicon Valley. Demand for rental housing is what is pushing the market so high, complicated by an apartment vacancy rate of less than one percent.²⁴ Graph 1.3 presents the increase in rents in the three California counties which each include a portion of Silicon Valley.



Graph 1.3

It is difficult to find a rental unit regardless of the price range. The City of Sunnyvale, California, which has twenty percent of Santa Clara County's rental stock, recently reported an apartment vacancy rate of 0.3 percent and experienced a twenty-five

percent increase in rents from January to June of 2000.²⁵ That equates to an increase in rent of \$500 to \$800 per month over a six-month period. These households face not only the burden of rent, but in some cases, they are forced to live in seriously substandard units. For households earning less than thirty percent of area median income, the predicament is even worse; most live in poor housing and pay more than half of their income on rent.²⁶

“Price escalation (of rental units) in the Bay Area/Silicon Valley is unprecedented,” said G. Ronald Witten, president of the Dallas-based M/PF Research Inc. The dazzling price increases are being driven in part by the influx of young, well paid workers coupled with the astronomical cost of buying a home.²⁷ As of June 2000, one-bedroom rentals in northern Santa Clara County averaged \$1,973 and in San Jose, they averaged \$1,415. The popular San Francisco Peninsula that partially lies within the Silicon Valley has many one-bedroom units starting at \$2200 per month.²⁸ This large monthly rent payment further complicates a prospective buyer’s ability to collect a down payment.

Impact Upon the Silicon Valley Law Enforcement Agencies

Many of the law enforcement agencies in the Silicon Valley serve some of the most expensive housing markets in the nation. The managers of those agencies have begrudgingly acknowledged that few if any of their officers are likely to reside within the communities in which they are employed.

As the commute distances expand and the commuting experience becomes less tolerable, officers start looking at law enforcement agencies closer to where they can, or

already did, purchase a home. Silicon Valley agencies are losing experienced officers who simply cannot afford to purchase or remain in a home in the area to agencies in more affordable communities.

The prices of homes in the Silicon Valley are simply increasing at a rate greater than the rate of police officer salaries. Using the City of Redwood City as a typical benchmark Silicon Valley agency, Table 1.3 presents the change over the past fifteen years and a projection to the year 2010.²⁹ Salary and median home price projections are forecasted based on previous years' increases.

THE FUTURE OF THE HOUSING MARKET AND OFFICER SALARIES

YEAR	ANNUAL SALARY ³⁰ & INCREASE	MEDIAN PRICE OF REDWOOD CITY HOME ³¹ & INCREASE
1985	\$27,820	\$176,000
1990	37,428 (34%)	323,000 (83%)
1995	48,204 (29%)	340,800 (5%)
2000	58,980 (24%)	651,000 (91%)
2005	70,186 (19%)	1,035,090 (59% ³²)
2010	80,012 (14%)	1,645,793 (59% ³³)
PROJECTED INCREASES 1985 TO 2010	288%	935%

Table 1.3

As presented in Table 1.3, the increase in the median price of homes is forecasted³⁴ to increase at a much greater rate than that of police officer salaries that will

continue to exasperate the problems associated with housing affordability and police officer retention.

There is no set formula used to insure that a purchaser qualifies to purchase a home although there are some general rules that are similar for most lenders. Lenders vary to some degree on the loan amount they will qualify for their clients, but the general rule is that thirty-eight percent of the client's income is the maximum amount that can be targeted for paying the monthly mortgage. Although some lenders will recognize other income, such as overtime, part time employment, gifts, allowances, and the like, many will not. At the present time, because the housing market in Silicon Valley is so hot and there are so many buyers chasing so few homes, most lenders are not likely to recognize other than regular income when it comes to qualifying a client.

To qualify for a mortgage, certain ratios of debt versus income must be met. For conventional loans, there are usually two ratios that must be met. The first ratio is the top ratio or housing expense ratio. The top ratio is calculated by dividing the monthly housing expense by the buyer's gross monthly income. The monthly housing expense includes principle, interest, taxes, hazard insurance, private mortgage insurance and homeowner's association dues, if any.

The second ratio is the bottom or total debt ratio. The bottom ratio is calculated by dividing the monthly housing expense plus all other monthly debts by the buyer's gross monthly income.

Table 1.4 represents a hypothetical example of the purchase of a home in Redwood City, California, based on the median price as of \$651,000. Other expenses

that would reduce a buyer's borrowing capacity, such as automobile loans, credit card debts, taxes and homeowners insurance are not included in the example.

HYPOTHETICAL HOME PURCHASE

Median Price of \$651,000	\$651,000
Less down payment	(51,000)
Mortgage amount	\$600,000
Monthly Mortgage payment – 30 years @ 7% interest rate	\$3,992
Minimum monthly income to qualify for above monthly payment – 38% rule	\$10,500
Maximum monthly payment a Redwood City police officer can qualify based on annual salary of \$58,980 – Salary multiplied by 38%/12 months	\$1,867

Table 1.4

An Opportunity For Some

This phenomenon that has encompassed the Silicon Valley has not gone without notice by the law enforcement agencies just outside the Silicon Valley. Many have established recruiting programs designed to lure experienced police officers from the Silicon Valley to their more affordable communities. These recruiting practices have been described as predatory by some and creative by others. The Grass Valley Police Department placed employment advertisements for lateral police officers in Bay Area newspapers, citing their affordable housing market to lure officers to apply to their agency.³⁵ The Tracy Police Department located in the Central Valley has received assistance from the community's dry cleaners to staple job flyers onto the plastic bags protecting newly laundered police uniforms from Silicon Valley law enforcement agencies. A Captain from that agency also reported that his agency is planning to erect a

billboard along the main commuter thoroughfare into his community, which will read, “If you worked for the Tracy Police Department, you would be home by now.”³⁶

An Expensive Challenge

The loss of officers looking for affordable housing impacts Silicon Valley law enforcement agencies in a number of ways. The increased demand upon managers to recruit and train qualified replacement officers is not only a significant challenge, it is also a very expensive process. Additionally, as more officers leave Silicon Valley to find affordable housing, the median age of the men and women serving the communities as police officers declines. The level of officer maturity and experience is impacted as well as commitment to community service.

Programs Addressing the Housing Problem

Three cities in San Mateo County have developed first-time homeowner assistance programs for all of their full-time employees, not only sworn officers. The development of these programs is a testimonial to the severe housing affordability problem in Silicon Valley. The three programs require that purchases be made within the city limits, which are all located within very expensive housing markets.

The City of Redwood City offers employees up to a \$100,000 zero interest loan for the first five years of the program, which then adjusts to a rate of 4 percent for the remainder of the loan.³⁷ The program is available to first time homebuyers only who must purchase within the city limits. Redwood City’s median home price of \$651,000 excludes most employees from taking advantage of the program and the maximum

income restrictions of \$62,950 for a single person and \$71,900 for a couple automatically disqualify many employees. Only one employee has taken advantage of this program which has been in existence for more than two years.³⁸

The City of San Carlos offers employees up to a \$100,000 loan at a rate of 1.5 percent under the prevailing market rate.³⁹ The program is available to first time homebuyers only who must purchase within the city limits. The median home price of \$720,000 in San Carlos disqualifies most employees from qualifying for a home loan even with the assistance of their employer. Not a single employee has benefited from this program which has been in effect for more than two years.⁴⁰

The City of Belmont offers employees up to a \$100,000 loan at a zero interest rate forgivable over ten years if the employee purchases a home within a specific redevelopment area.⁴¹ This program is not limited to first time homebuyers but the maximum income restrictions of \$62,950 for a single person and \$71,900 for a couple automatically disqualifies many employees. The median home price of \$695,000 in Belmont disqualifies most employees from qualifying for a home loan even with the assistance of their employer. This program has been in effect for over two years. It has assisted three employees to purchase a home, however two of those employers were already established homeowners in the area.⁴²

Even though a \$100,000 loan at a reduced or zero-interest rate sounds generous, in fact it only provides marginal assistance. Most employees employed by these cities still have difficulty qualifying for a loan even with the assistance of their employer.

Several communities in Santa Clara County have started to provide housing assistance to teachers. The Santa Clara Unified School district has created a mortgage

assistance fund for teachers which pays \$500 per month toward each eligible teacher's mortgage for five years. In addition, a forty-unit below market rate apartment complex is being constructed. In the City of San Jose, teachers can receive up to \$40,000 to assist in the purchase of a home within the city.⁴³

Unfortunately, each of the programs described above, designed to assist law enforcement employees, falls short of actually solving the retention problem. In fact, even with the assistance, most of the employees cannot qualify to purchase a home due to the maximum income limits. In the rare case that an employee does qualify, the assistance is marginal at best.

Case Studies

In 1996, a young single officer purchased of a small condominium in Redwood City for \$222,000. It was a nice and simple home approximately six miles from his agency. In early 1998, the officer married and his wife and he made plans to start a family. Since his condominium was an upstairs unit with only one bedroom, the couple began looking for another home in the Silicon Valley area. Unfortunately, all of the single-family homes within a reasonable commute distance were out of their price range. The couple then visited friends in Brentwood, which is located in Contra Costa County, and while they were there they looked at a new housing development. Soon thereafter, their Redwood City condominium was listed and sold for approximately \$325,000 and they purchased a brand new 3000 square foot home in Brentwood for only \$300,000. Within two months of moving out of Silicon Valley and commuting, the officer resigned to accept employment with the Contra Costa County Sheriff's Office.⁴⁴

Another profound example of the housing problem in the Silicon Valley presented itself in November 2000. David Buckmaster, the Mayor of the City of San Carlos in southern San Mateo County, announced he was stepping down from his council post and moving to the Sacramento Area because he, a high-tech worker in the prosperous Silicon Valley, could not afford to purchase a home in the City where he was elected to serve. Mr. Buckmaster reported that the garage in his newly purchased home in El Dorado Hills is the same size as the condo he was renting in the City of San Carlos.⁴⁵

Interviews

The impact of the lack of affordable housing upon officer retention is of great concern to many Silicon Valley law enforcement agencies. The following interviews were conducted with police managers within the Silicon Valley and they provided the several reasons as to why employees have left their agencies over the past five years.

The Redwood City Police Department in San Mateo County completed a Personnel Retention Evaluation in October of 2000. This information was extrapolated through exit interviews. During the period covered by the study, twenty-five percent or five of twenty of the officers left the agency to relocate to an affordable housing market. This was the number one reason for officers to voluntarily terminate employment. Captain Ron Matuszak wrote, "Most of these officers came from these areas only to return after a year or so in the Bay Area. This is not great news for us in that we've been pretty successful at luring people over here from down south, only to lose them when they discover our swell pay gets eaten up in housing costs." The report goes on to say, "Unfortunately, economic issues in the immediate area negatively impact the retention

level. We lost a number of officers to larger agencies in different counties. Others left the area to join departments in communities where they have the ability to own a home.”⁴⁶

The City of San Carlos Police Department reports that more than half of its sworn officers (53.8%) have less than two years of law enforcement experience and it has lost three tenured officers to areas outside of the Silicon Valley because of the local housing market within the past two years.⁴⁷ Sergeant Steve Jackson, who conducted the years-of-service analysis, reported that in part due to the housing market the age of the police officers working for the city is getting younger, and that the department’s percentage of officers with zero to four years of service is higher now than in past years.⁴⁸

Project Outcome

The goal for this project is to forecast how the cost of housing will impact officer retention efforts of small municipal law enforcement agencies by the year 2010. An outcome of this project is the development of a practical and fiscally responsible first time homebuyer’s program for police officers, and possibly other law enforcement personnel, that can be easily developed and managed. The program can be implemented today, monitored and adjusted as necessary, to address the retention problems forecasted to affect law enforcement agencies through the year 2010. Readers should not expect to find a magic recipe to solve the housing problem, yet this project provides some guidelines and examples that can be implemented now to address the forecasted housing affordability problems and curb the loss of law enforcement officers due to the lack of affordable housing.

Summary

Despite increases in compensation packages, the booming economy and the skyrocketing cost of housing within Silicon Valley has made the dream of homeownership difficult if not impossible for law enforcement officers. To assist officers in the purchase of homes and still allow them to financially plan for a quality lifestyle, innovative programs must be developed and implemented in a timely manner.

This chapter focused on the scope of the housing problem in the Silicon Valley and how it adversely affects police officer retention. This trend will continue in the future and it is likely to continue at an exponential rate. Using environmental scanning, literature review and interviews, a definition of the problem, as well as a future projection of the issue has been presented. The following chapter will present an analysis of various trends and events which may significantly impact this issue. Also examined is how these trends and events may influence each other and a look at some possible future scenarios.

CHAPTER TWO

FUTURES STUDY

Introduction

Future forecasting is used to project the future and influence positive change. Certain actions can be taken to help bring about the desired change and avoid negative change. One of the tools utilized in future forecasting is the Nominal Group Technique. The results of the Nominal Group Technique are then used in a cross-impact analysis to forecast impact of the trends and events that influence the issue. Following this, possible future scenarios are developed which relate to housing assistance for the law enforcement officers.

The Nominal Group Technique

The nominal group technique (NGT) is a structured workshop/meeting/process, usually facilitated by a third party, which identifies and ranks the major trends and events related to the issue. It is also used for managing participation in such processes as planning, performance improvement, and measurement. The method is effective at gaining consensus with all types and levels of participants in a wide range of settings. The NGT is a simple but effective technique for structuring small group meetings that negates many of the negative aspects of dealing with groups and individuals. It is best utilized when the meeting involves judgmental or creative decision-making.

The NGT insures maximum participation by group members in the decision making process by avoiding the dominance of strong personality types and allowing all participants the opportunity for influencing the direction of the group outcome(s). The

process includes four steps: silent generation of ideas, round robin recording of those ideas, discussion and the rating of the generated ideas.

For this project, the NGT panel consisted of nine individuals who were selected to provide a diverse perspective on the issues surrounding police officer retention and housing. Participating members of the group included a Chief of Police from a Silicon Valley agency, a police officer union president and one-hundred plus mile commuter, an economics professor, an affordable housing developer and published author on senior housing, a real estate agent and affordable/tax credit housing manager, a mortgage broker, a CEO of a small corporation and former police chief, a city mayor, and a large-scale housing developer (see Appendix A).

Prior to the NGT panel meeting, all of the participants received a personal briefing on the topic as well as on the Command College Program. Each was supplied with specific literature on the NGT process and with the names and expertise of the other panel members and definitions of the NGT process, trends and events.

Following a briefing on the NGT process, the panel members were asked to share both trends and events that might influence officer retention efforts in the Silicon Valley housing market. The process included silent idea generation followed by round robin sharing of all of the ideas until the panel members were exhausted of ideas. The group generated fifty-one trends and twenty-five events, which they identified as material issues. The group then combined some of the trends and events and subsequently eliminated a few after some discussion. The group rated the trends and events, identifying the top ten trends and the top eleven events (events ten and eleven were tied).

Discrepancies were discussed and points were clarified until the panel mutually understood each of the trends and events (see Appendices B and C).

Trends

Trends are defined as a series of incidents or events taking place, which seem to indicate a direction in which a particular issue may be heading. It is based on the past, present and future and can be quantitative or qualitative.

The panel rated the impact of the top ten trends and assigned a level of concern to them. In the Table 2.1, -5 years represents the amount of impact the trend had on the topic five years ago, +5 represents the amount of impact five years from now, and +10 represents the amount of impact ten years from now. The Concern column represents the level of concern given to each trend by the panel on a scale of one to ten with ten representing the highest. Table 2.1 contains the information about trends collected by the NGT Panel.

TRENDS

	Trends	-5 Years	Today	+5 Years	+10 Years	Concern
1	Home Costs	70	100	130	150	10
2	Scarcity of Jobs	80	100	120	120	8
3	Transportation – Congestion	80	100	130	150	9
4	The Gap between the Have and Have Nots	70	100	125	150	8
5	Land Use Restrictions	90	100	110	115	7
6	Age of Homeowners	90	100	110	120	7
7	Gap between Salaries and Home Affordability	90	100	120	110	9
8	Local Consumer Price Index	80	100	125	140	9
9	Availability of Housing Assistance Programs	60	100	120	150	8
10	Employee Commitment to Self vs. Organization	70	100	140	130	7

Table 2.1

Discussed below is the panel consensus on these ten identified trends.

> Trend 1: Home Costs

The price to purchase or rent a home in Silicon Valley is a direct result of the limited housing inventory, and is a characteristic example of supply and demand theories. Too few housing units being chased by too many buyers will continue to adversely impact the affordability of those homes. A substantial increase in inventory, or a reduction in the number of people residing in the Silicon Valley, are the only factors that will positively impact the price of housing. The trend suggests that the cost of housing will continue to increase.

> Trend 2: Scarcity of Jobs

The housing market in the Silicon Valley and the subsequent impact upon employee retention has compelled many private organizations to relocate to more affordable areas. Law enforcement agencies that must provide localized service is making staffing adjustments to make the best use of existing personnel, which includes the addition of more non-sworn specialty positions and the reduction of sworn positions.

> Trend 3: Transportation – Congestion

The serious transportation issues within the Silicon Valley continue to complicate all employee retention efforts, not only those of law enforcement agencies. Not only are the highways, freeways and streets crowded with commuters, the increasing cost of energy will make the commuting even a less attractive option. Trends reflect that few commercial and industrial developments include provisions and improvements to address the additional commuting workforce which further exasperates (increases) the problems associated with transportation.

> Trend 4: The Gap between the Have and Have Nots

The disparity of wealth in the Silicon Valley continues to impact a service employer's ability to hire and retain a workforce. The lack of affordable housing is a direct result of too much money chasing too few homes.

> Trend 5: Land Use Restrictions

The lack of open space in the Silicon Valley has resulted in restrictions governing the amount of homes and other improvements that can be constructed on available land. Further, to address congestion and traffic concerns, many cities have limited the number of residences that can be constructed which complicates the housing affordability issues.

> Trend 6: Age of Homeowners

People are living longer and healthier lives. Therefore, fewer homes are turned over into the housing market. This reduces inventory, increases demand, and further reduces home affordability opportunities.

> Trend 7: Gap between Salaries and Home Affordability

The salaries and total compensation packages of law enforcement employees have increased over the past decade but not at a rate equivalent to that of housing prices. Though there is pressure to improve the compensation of all service employees (including teachers and firefighters) in Silicon Valley, the housing prices are increasing at an exponential rate. The trend of salary increases fails to keep pace with the increases in the price of housing.

> Trend 8: Local Consumer Price Index

The inflation rate within Silicon Valley appreciates at a rate greater than other geographic areas, in that Silicon Valley continues to be the hub of profitable high technology industries and the demand to reside here remains high. Homebuyers without financial constraints will continue to sustain this trend.

> Trend 9: Availability of Housing Assistance Programs

Though some cities within the Silicon Valley have developed housing assistance programs, the program's ability to impact the housing problem has been minimal. Since forecasts suggest that the housing affordability problems will become additionally grave in future years, the need for employers to develop housing assistance programs that affirmatively address these problems will become increasingly crucial.

> Trend 10: Employee Commitment to Self vs. Organization

Employee work ethics change with time and are influenced by numerous factors. Indications are that employees are more concerned with what the organization will do for them than with what they can do for the organization. Commitment and dedication to an employer, and long-term tenure with an organization, is no longer an important consideration to employees.

Events

Events are different from trends in that events are singular occurrences that transpire at a specific time and date.

The panel rated the impact of the top eleven events and whether or not the impact would be positive or negative on the topic. Table 2.2 contains the information about events collected by the NGT panel. In Table 2.2, 0 represents the first probable year the event may occur, +5 represents the probability of the event occurring in five years, and +10 represents the likelihood of the event occurring in ten years. The Impact column represents the weighted impact of the event on the topic on a scale of 1-10 with 10 representing the most impact, and the + or – column represents the panel's impression on whether the impact will be positive or negative on the topic.

EVENTS

	Events	Year > 0	+ 5 Years	+10 Years	Impact	+ or -
1	Stock Market Crash >3000 pts /Downturn	4	35	50	7	+
2	City Built Housing Project	5	30	45	8	+
3	Consolidation Pact of Police Agencies	10	0	50	5	-
4	Legislation Returns Local Tax Funds	6	0	30	5	+
5	Natural Disaster results in 10% loss of housing stock	5	10	50	6	-
6	US participation in War in Middle East	2	50	50	2	0
7	Race Riot	7	0	30	5	-
8	Repeal of Prop 13	4	0	10	2	+
9	Major, Sustained Power Shortage	5	0	30	5	-
10	State Mandated Salary & Benefits	10	0	20	7	-
11	75% of Local PD's Adopt Privatization of Non-Patrol Functions	10	0	40	6	+

Table 2.2

Discussed below is the panel consensus on these eleven identified events.

> Event 1: Stock Market Crash / 3000+ points / Downturn

A significant downturn in the stock market with a decrease of at least 3000 points would have a favorable impact upon the housing prices in the Silicon Valley. The impact would be greater in this geographic area since it is so dependent upon the industries linked to the prevailing market conditions. A significant downturn would result in employee layoffs or at least hiring freezes, limited commercial and industrial expansion, and a significant decrease in the financial buying power of those who are dependant upon Silicon Valley industries. This event would provide some relief to the housing issues facing Silicon Valley which would be enjoyed by law enforcement employees.

> Event 2: City built housing project

Employer provided housing would be beneficial to law enforcement employees and officer retention efforts, in that the immediate impact of the cost of housing would no longer be issue for the employees. However, the limited availability of city land to develop employee housing and the high cost to purchase existing housing units may make the possibility of this event marginal at best.

> Event 3: Consolidation Pact of Police Agencies

Consolidation agreements between municipalities to provide law enforcement services may lead to a decrease in the number of sworn officers needed to provide services. Though the event is not anticipated to occur in the Silicon Valley in the near future, the result of such consolidation agreements may equate to a decrease in the number of law enforcement employees and a subsequent decrease in the need of housing for those employees.

> Event 4: Legislation Returns Local Tax Funds

Legislation has returned tax funds to local governments mostly collected from gas taxes and motor vehicle license fees in the form of sales tax subventions. Additional subventions may be utilized to support the development and funding of employer provided housing.

> Event 5: Natural Disaster results in 10% loss of housing stock

Any natural disaster that results in such a significant loss of the housing stock would significantly increase demand upon the surviving housing units. This would result in the same amount of buyers competing for fewer homes. Additionally, as these damaged or destroyed homes are repaired, their value would most likely increase which would further complicate housing affordability issues.

> Event 6: US participation in War in Middle East

United States participation in a war in the Middle East would reduce the amount of candidates available to start careers in law enforcement, at least for the duration of the action. Should the action be extended, priorities even at a local level may be restricted to providing only the most basic of services, and programs addressing housing assistance may be sidelined.

> Event 7: Race Riot

A significant race riot or similar extended police action may compel communities to insist on increasing law enforcement staffing levels and prioritizing housing assistance programs to retain employees over other priorities.

> Event 8: Repeal of Prop 13

Repealing Proposition 13 protections would most likely result in additional funding at the local level. These funds, which may be significant and a continued source of funding, may be utilized to develop a housing assistance program designed to retain law enforcement employees.

> Event 9: Major, Sustained Power Shortage

An extended power shortage may compel communities to insist on increasing law enforcement staffing levels to maintain safe communities. A change in priorities may place emphasis on the creation of a housing assistance program.

> Event 10: State mandated salary and benefits

State mandated compensation packages that would increase the buying power of law enforcement employees would have a beneficial impact upon the employee retention. Law enforcement employees that earn more can collect greater down payments and can qualify for larger mortgages. Specific to Silicon Valley however, the margin between law enforcement buying power and the price of homes is so significant, that a mandated compensation increase would have to be so significant that the likelihood of this event actually occurring is minimal.

> Event 11: 75% of Local PD's Adopt Privatization of Non-Patrol Functions

Communities may elect to contract out non-patrol functions of their police departments in an attempt to reduce costs or in response to officer retention issues. Should law enforcement agencies only provide emergency response teams, staffing levels can be reduced which may minimize the need to establish housing assistance programs.

Cross Impact Analysis

Following the NGT process, a cross-impact analysis was completed by the author to project the impact of the events on the various trends which is reflected as a matrix in Table 2.3. The table reflects the top trends and events on a scale of one to five, with five representing the highest impact and one representing the lowest impact upon the topic. Additionally, the impact is presented as having either a positive or a negative influence upon the topic. The results are used to identify the trends and events, which are most likely to favorably affect the problem statement.

CROSS IMPACT ANALYSIS

	Trends									
Events	T-1	T-2	T-3	T-4	T-5	T-6	T-7	T-8	T-9	T-10
E-1	+2	+3	-2	+3	+2	0	-1	-4	+1	0
E-2	+5	+4	+4	0	+4	0	+3	+3	+5	0
E-3	+1	-3	+2	0	+2	0	+2	+1	+2	+2
E-4	+3	+2	-1	+1	+1	0	+2	+1	+2	+1
E-5	0	+2	+3	0	0	0	+2	+2	+2	0
E-6	+1	+2	+1	-3	+1	0	+2	+1	+2	+3
E-7	+1	+3	-1	-2	+1	-1	+2	-1	+2	+2
E-8	+4	+3	+1	+1	-1	+1	+2	+1	+4	0
E-9	+1	+2	+1	+1	+1	0	+1	+1	+1	0
E-10	+1	+3	+1	+1	-1	+1	-4	-1	-1	+1
E-11	0	+2	0	-1	0	0	-2	0	0	-1

Table 2.3

Discussed below are the influences that selected events have upon selected trends where the impact was rated at four or greater upon the problem statement. Discussion and specific comments collected from the NGT panel members were used to select the events and trends listed below.

- 1) E2 – City built housing project +5
T1 – Home costs

The results of the cross impact analysis suggest that a city-provided housing project would have a significant positive impact on the home availability/cost leading to a positive impact upon officer retention. Simply put, if officers are provided housing in addition to full salary/benefits, or receive such housing at a very reasonable rate, this would have a very positive effect on officer retention.

- 2) E2 – City built housing project +4
T2 – Scarcity of jobs

The results of the cross impact analysis suggest that a city-provided housing project will make employment in Silicon Valley significantly more attractive to potential employees. This will have a positive impact on the retention of employees.

- 3) E2 – City built housing project +4
T3 – Transportation - congestion

The results of the cross impact analysis suggest that a city-provided housing project would significantly reduce the associated problems with transportation. If the employees are able to live where they work, then transportation issues become much less significant.

- 4) E2 – City built housing project +5
T9 – Availability of housing assistance programs

The results of the cross impact analysis suggest that city-provided housing projects would significantly reduce the need for housing assistance programs in Silicon Valley. If the employer provides assistance, then alternative housing assistance programs are not necessary or minimized. The efforts to retain law enforcement employees would ease since those employees would receive housing based upon their employment, and not have to compete with others outside of law enforcement and possibly be denied assistance based on their level of income.

- 5) E8 – Repeal of Proposition 13 +4
T1 – Home costs

The results of the cross impact analysis suggest that a legislative change to repeal Proposition 13 protections enjoyed by long-term homeowners, and the reciprocal reduction in tax liabilities to new homebuyers, would make the

purchase of homes more affordable and attainable. The result would be fewer law enforcement employees leaving to find affordable housing.

- 6) E8 – Repeal of Proposition 13 +4
T9 – Availability of housing assistance programs

The results of the cross impact analysis suggests that a legislative change to repeal Proposition 13 protections enjoyed by long-term homeowners, and the reciprocal reduction in tax liabilities to new home buyers, would reduce the need for housing assistance programs which are very rare in Silicon Valley. The result would be more affordable housing (albeit marginal) and the lack of housing assistance programs would be less crucial. More affordable housing would benefit law enforcement employee retention efforts.

- 7) E10 - State mandated salary & benefits -4
T7 - Gap between salaries and home affordability

The results of the cross impact analysis suggests that mandated compensation programs, like the State of Missouri has enacted,⁴⁹ would be detrimental to the officer retention problem. Specifically, if compensation were based on some statewide average, officers residing in the Silicon Valley would not be able to negotiate specific regional salary packages to compensate them for residing in such an expensive market.

Scenarios

Scenarios are developed based on input from the Nominal Group Technique and are used to forecast alternative futures. They are essentially futures stories that provide realism based on environmental scanning and the trends and events identified by the

NGT process. Once scenarios are identified, then strategic planning can be undertaken to plan for and influence the projected future state and/or desired outcome. The three scenarios presented below describe pessimistic, optimistic and normative perspectives.

Pessimistic, Optimistic, and Normative Case Introduction

Phil is an ambitious young man. He worked part time through high school, was active in scouting where he earned his Eagle Scout Award, and received decent grades. His teachers and parents knew that Phil was one of those young men who achieves the things he sets his mind on. Like many young men, Phil was always somewhat fascinated by police officers and firefighters. Unlike most young men, Phil's fascination in these occupations never wavered as he grew older.

The year is 2001, and as Phil's high school graduation date grows closer, his counselors and parents gently prod him to set some direction towards a career, if for no other reason than to select a major in college. The more Phil thinks about it, the more a career in public service looks appealing. In an effort to see if this is really for him, he takes some Administration of Justice classes and some Business Management classes during his first few semesters in college.

Phil keeps on track during his college years, studies hard and goes on ride-a-longs with the local police department. Over those years, he becomes inclined to pursue a career in law enforcement despite his mother and father's strong preference that he do the dot-com thing. But Phil's mind is made up, and even though he is not initially successful in securing a job in law enforcement, he persists and is eventually hired by a small, municipal law enforcement agency. Officer Phil is sworn in as a police officer in a

Silicon Valley city in 2005, and his parents, who were present at the ceremony, are very proud.

The years have passed and it is now 2009. Phil has performed his job well and he is certain law enforcement has been the correct career choice for him. His exposure to business management and finance classes in college prompted him early to start saving for a home. After four years of employment, meeting and marrying his wife, and saving a little nest egg, Phil decides it is time to look into buying his first home.

Phil starts looking through the Sunday papers and local real estate advertisements for homes for sale. The numbers look staggering and seem to reflect what he has been reading in the headlines about the housing crisis. Nevertheless, Phil decides to contact one of the realtors advertising in the paper to find out what kind of housing is available to him.

Phil meets the realtor who immediately connects him to a mortgage broker to get pre-qualified. The news from the broker is not optimistic: Phil only qualifies for a mortgage of \$2,534.00 a month based on his \$6,670.00 gross monthly income (38%). Additionally, Phil only has \$20,000.00 saved and earmarked for a down payment. Consequently, Phil only qualifies to purchase a home listed at no more than \$400,000.00.

Pessimistic Ending

The realtor and Phil spend one afternoon looking at local condo listings, since all of the single-family homes are out of his price range. Not only are the condos marginal living quarters at best, but they also come with a thirty-five-mile commute in a congested traffic area. Phil quickly loses confidence and eventually dismisses the realtor.

Phil spends a weekend in the California foothills visiting a friend. During breakfast, he looks at the home listings which seem very reasonable compared to the market near work. He spends some time on-line to continue researching that area and subsequently hooks up with a realtor and buys a twenty-seven-year-old single family home for \$396,000.00. The commute is unpleasant, but the twelve-hour shifts help and it seems to be worth it to finally have a place of his own.

After four months of commuting it no longer seems worth it and Phil starts looking at the law enforcement agencies close to home. The temptation to work close to where he lives is too compelling and soon he is testing near his home. Phil is quickly offered a lateral job and submits his resignation to the Silicon Valley agency. During his exit interview, Phil tells the Chief that he wishes he could continue working for the agency, but he came to the realization that he would never be able to purchase a home in the area. In addition, he would continue to face a lengthy commute which would be getting worse in the coming years. That agency only enjoyed Phil's employment for five years. Now they have to fill yet another vacancy.

Optimistic Ending

Phil is disappointed with the news from the mortgage broker but fortunately other resources are available. The Silicon Valley city that Phil works for has taken affirmative action in response to the local housing crisis. About two years ago, the city realized that they were losing many of their bright young officers to police agencies in areas where housing was more affordable. Because of this, they were spending an inordinate amount of time and money to hire and train new police officers and the median age of their

officers was declining. Additionally, community-policing efforts were failing and the average experience level of the police officers was only four years and was continuing on a downward trend. Since most of these officers were leaving the agency because they could not afford to purchase a home in the area, they initiated a home purchase program for police officers financed by community donations invested in venture capital.

Phil submits the loan request forms to the city and is quickly granted a \$250,000.00 loan which is forgivable over ten years as long as he remains with the agency.

With all his loans pre-qualified, Phil finds a local agent and buys a single family home six miles from work for \$675,000.00. With this employer loan program and his wife's employment, they easily qualify for a \$425,000.00 mortgage. His wife and he soon move into a three bedroom, two bathroom house with a nice yard in a favorable neighborhood. The city loan program made a local home affordable in a desirable neighborhood. Phil's tenure with his Silicon Valley employer continues.

Normative Ending

Phil is disappointed with the news from the mortgage broker but fortunately other resources are available. The Silicon Valley city that Phil works for has responded to the local housing crisis. About two years ago, the city realized that they were losing many of their bright young officers to police agencies in areas where housing was more affordable. Additionally, community-policing efforts were failing and the experience level of its police officers had declined significantly. Since most of these officers were

leaving the agency because they could not afford to purchase a home, they initiated a home purchase program for police officers financed by the City's General Fund.

Phil submits the loan paperwork to the city and quickly qualifies for a loan of \$125,000.00. This is a fifteen year loan which is interest free for the first five years followed by a below market rate for the remaining ten years.

With all his loans pre-qualified, Phil finds an agent and buys a single-family home twenty miles away from work. The \$125,000.00 loan program makes a home somewhat close to work affordable. Phil and his wife purchase a nice home for \$550,000.00 and with the city's assistance, they easily qualify for a mortgage of \$400,000.00. The commute is not the greatest, but the twelve-hour shifts make it tolerable. Additionally, it allows him to stay in Silicon Valley and keep working for the peninsula city. The city plan has retained this employee.

Summary

In this chapter, the Nominal Group Technique identified trends and events likely to have a significant impact on the issue of affordable housing and officer retention in the future. The three scenarios presented possible alternatives of how law enforcement agencies will address this issue. The NGT and scenarios will assist in developing a roadmap for change in the following chapters.

CHAPTER III

STRATEGIC PLAN

Introduction

A strategic plan utilizes a structured approach to address issues of concern. The purpose of a strategic plan is to help facilitate and manage a desirable future for the organization and individuals. Considering identified trends and events that have potential to impact the issue is critical to the development of a solid strategic plan. The person(s) responsible for the design and implementation of the plan must look for opportunities to influence the future and bring about positive change. Strategic planning seeks to bring about those trends and events that have a positive impact on the issue and prevent the trends and events that affect the issue negatively.

To develop a strategic plan that law enforcement may utilize to implement a home purchasing assistance program for police officers, information from the environmental scanning as well as the Nominal Group Technique process is included.

Vision Statement

In order to achieve the desired goal and to keep those involved focused on the process, it is essential that a vision statement be developed. This vision statement must reflect the values and core objectives of the organization and it can be used to set a course of action for where the organization wants to go and how it will get there. To that end, the following is an example of such a vision statement:

It is recognized that the police department's primary responsibility is to provide for the safety and security of the community it serves. To best accomplish this

responsibility, it is understood that the employees charged with achieving these goals are well compensated and appropriately recognized. Further, it is recognized that the area in which we provide services is a uniquely expensive area to purchase a residence and maintain a satisfactory quality of life. It is also recognized that the local housing market has compelled City employees to move to more affordable areas, and that this has adversely impacted their lives, the services we provide, and the ability to retain qualified, mature and dedicated employees. To that end, we are committed to mitigating the affordable housing problem by developing a home loan program for our dedicated employees.

External Analysis – The STEEP Model

Navigating through significant changes requires analysis of various factors affecting change. One method of analysis is the STEEP model. The STEEP model examines the proposed change from five perspectives external to the organization that may influence the desired change: Social, Technological, Economic, Environmental and Political.⁵⁰ The results of the STEEP analysis can have a significant influence on the strategy to implement a program to address the housing problem and officer retention. Some of the issues to consider when implementing a housing assistance program designed to law enforcement employees include:

Social

> Varsity of social issues

Silicon Valley's diverse cultural, ethnic and economically diverse population presents numerous interests, concerns and values that may be incompatible with others and influence where people want to live.

> Quality of life issues

Long commutes, living apart from family during workweek, and satisfaction with current housing and total economic well being.

- > The graying of society
Living longer equates to less turnover of the housing inventory.
- > Changing employee value system
Fewer long-term employment relationships and the dwindling work ethic.
- > Jobs exceed labor force (2006)
Private employers will target public employees with attractive compensation packages including stock options.
- > Diverse cultures
Silicon Valley's diverse population presents numerous interests, concerns and values that may cause conflict and impede change.
- > Desire to reside in Silicon Valley
Economic prosperity opportunities and the climate will continue to make this area a desirable place to reside.
- > Protectionism of labor
Union desires to maintain a strong, tenured organization and to promote quality of life issues will make them fundamentally more engaged in organizational change.
- > Active lifestyles influencing how we work
This area has always attracted busy, active people who desire to acquire employment that compliments their time off work activities.

Technological

- > Faster pace of technological changes
Advancements come at an exponential rate. Consumer desire for the latest technology suggests Silicon Valley will continue to thrive and adversely affect the price of housing.

- > Greater opportunities to work from home

Alternatives to commuting to a workplace are increasing in popularity and will continue to become a viable option for service industries, including law enforcement.
- > Internet sophistication greatly increases availability of information

Better-informed customers desire higher levels of service. This impacts the delivery of law enforcement services and demands for immediate results.

Environmental

- > Increasing population

Larger population equates to increased demands for law enforcement services and the need for more law enforcement service providers. Increases demand for housing units.
- > Environmental protection legislation and public concern

Demands to sharply control industrial and residential growth areas and converse open space may result in additional legislative restrictions making options like city provided housing less viable.
- > Increased demands for water, electricity, air quality

Increasing populations may place unachievable demands upon natural resources and impact quality of life issues. May jeopardize any plans to add housing units regardless of the need.
- > The blending of the suburbs

Fewer distinct communities may ultimately result in the consolidation of law enforcement services. This may lead to fewer employees required to provide service and decrease the need for affordable employee housing.

Economic

- > The swing to professionalism in law enforcement

As demands for quality services continue and community policing practices are further enhanced, those providing services must be correspondingly compensated. This equates to increased demands on

government budgets and decreases the likelihood of employer provided housing options.

> The disparity of wealth in the Bay Area

Dwindling middle class which includes law enforcement employees and other service providers. Increases the median price of housing.

> Impact of a strong economy

Further magnifies the disparity of wealth issues in the area and complicates the supply and demand of housing.

> Compensation packages for employees

Private industries in the area offer attractive compensation packages that lure those in the service industries.

> Local housing prices grow at a higher than national and state average rate

Robust Silicon Valley economy continues to drive housing prices up which further complicates affordability.

Political

> Increased demands on community policing practices

As the area population increases and quality of life issues including the availability of affordable housing arise, residents will play an increasingly active role working with law enforcement to address issues.

> Governmental pressure for fiscal responsibility

Law enforcement agencies are repeatedly compelled to provide more service with less money, further complicating any housing assistance programs utilizing public funding.

> Elimination of residential proximity requirements

Geographic residential requirements for law enforcement employees in Silicon Valley are a thing of the past. Most agencies have relaxed or deleted these requirements partly in response to the lack of affordable housing. Creates new problems including off-duty response times, replacing sick employees, and decreased employee interest in community policing activities.

- > Public awareness of retention problems with public employees

The media and employee unions have brought the local affordability issues to the public. This awareness has already resulted in public sympathy and in some cases the development of housing assistance programs.

Analysis of the Organizational Culture

Every organization, whether public or private, must regularly examine itself with as much objectivity as possible to determine its health and to better plan for change. Prior to developing and instituting any change in an organization, a look at how the members are likely to accept that change, and whether or not they will support or hinder the change is essential. One model that can be utilized for such an analysis of a planned change is the “WOTS UP” (weaknesses, opportunities, threats, and strengths underlying planning) model. Using this model, the following is an analysis of issues likely to impact change from inside the organization:

Weaknesses – potential shortcomings of the program

- > Insufficient support within the organization

No urgency may exist within the organization to foster support and/or there may be no or few employees interested in the program.

- > Insufficient political support

No urgency may exist with those ultimately responsible for approving the program and therefore program development may be futile.

- > Similar programs in Silicon Valley have been only marginally successful

Critics may point to other housing assistance programs and argue that even an enhanced program would not have the desired results.

- > Taxpayers may not support the plan

Even though the principle to drive a housing assistance program does not include public funds, those who law enforcement serves may not support the program or the staff time required to manage the program.

- > Where will the financing come from to support the program

The efforts of the Board of Directors may not result in the collection of sufficient principle to fund a housing assistance program and thereby put the program in jeopardy.

- > Transportation issues remain

Even though the successful implementation of a housing assistance program will ease the commuting problems of law enforcement employees, it will not solve them. Traveling to work in Silicon Valley even from within a reasonable established radius has inherent complications.

- > What happens if the employee leaves employment while in the program

Providing such an attractive program that permits employees from living in homes they otherwise could not afford may create antagonism upon termination of employment. Specific, binding agreements and guidelines are essential to address this issue.

- > Does the organization have the necessary infrastructure to implement and manage the plan

Various persons within the organization must be involved in both the development and the management of the program. Staff time is required to meet with the Board, process applications, distribute funds and monitor the success of the program.

Opportunities – potential benefits from a homebuyer program

- > Decrease time recruiting new employees

Fewer turnovers equates to increased employee tenure and less demand on recruiting and applicant testing procedures.

- > Reduction in recruiting expenses

Recruiting law enforcement is an expensive venture. Increased employee tenure equates to fewer vacancies and decreased expenditures to fill those vacancies.

> Decreased training costs

Once an applicant is hired, the employer incurs expenses to train the employee. In the case of police officers, this includes sending them to the police academy and employee participation in a field training program, of which both training programs incur significant expense for the employer. Enhanced retention efforts, like the implementation of a housing assistance program, will reduce turnover and decrease the training budget for new hires.

> Increased tenure of employees

Retaining employees in the organization equates to a more mature and experienced workforce committed to making the organization successful and to community policing philosophies.

> Recruitment enhancement

A housing assistance program that favorably impacts law enforcement retention efforts and allows employees to live near their workplace and assists them into a home they otherwise could not afford will be a significant recruiting instrument and one that competes with the compensation packages of the private industry.

> Decrease in tardiness and sick time usage

Employees traveling great distances to get to work in a congested area are increasingly subject to tardiness. Additionally, when the workday is compounded with commutes measured in hours, employee temptation to use sick time when they are not in fact sick is greater. A housing assistance program will help curb these issues.

> Decrease in disciplinary issues and fewer citizen complaints

A content employee is more likely to reflect a favorable attitude upon those he or she works with and interacts with on the job, where an employee exhausted from long commutes and troubled with financial difficulties may reflect their attitude upon others. A housing assistance program will help alleviate some of these issues, and subsequently make for a more content employee.

> Improved productivity

A content employee is more likely to maintain a positive disposition on the job, where an employee exhausted from long commutes and troubled with financial difficulties may well reflect this upon the quality of their work. Alleviating these issues with a housing assistance program will enhance the contentment of the employee.

> Morale booster that can permeate the organization

The advantages of a housing assistance program and the subsequent employee contentment and desire to work hard and maintain a positive outlook can permeate through an organization, even to those not taking advantage of the program.

Threats – potential adversity that can threaten the plan

> Union opposition to the program

Should the law enforcement union take a position against such a program designed to aid the members of the union, successful implementation would be jeopardized. Should the program be implemented, the union may pressure employees not to participate.

> City management and/or government unwilling to adopt plan

Should the employer elect not to implement a housing assistance program and they are not under direction to implement such a program from the city council, implementation is unlikely. Additionally, management commitment, which is crucial to the program's success, would be minimal.

> Other city employees may demand same consideration

Should a housing assistance program be established for law enforcement employees, other city employees may demand the same program. This may place additional burdens upon the fund raising activities and the program management.

> Benefits may not be sufficient enough to meet the plan goal(s)

Fund raising efforts may fall short of collecting sufficient funds to either make any loans or enough loans to make the program successful.

- > Agencies in more affordable communities may adopt similar plan

Law enforcement agencies typically mimic the successful programs of other agencies. Whether or not similar programs in other locales would minimize the success of an agency's housing assistance program would depend on the totality of benefits (commuting, quality of life, financial security, etc.) the other program offers.

- > Some employees may not qualify to purchase even with program

Some employees may not be able to take advantage of the program because they cannot qualify for their portion of the mortgage.

- > Adverse tax consequences

Employees purchasing a home more expensive than they would normally have been able to purchase will be faced with property tax obligations based on the higher purchase price of the home. Additionally, any assessments imposed that are based on property values will obligate the employee to greater tax obligations.

Strengths – support of the program

- > Employees desire to be part of their community

Many law enforcement employees look for employment where they want to reside and with an agency that reflects the type of work they want to do. This equates to improved employee satisfaction and enhanced community policing efforts because the employee is where they want to be and is doing what they want to do.

- > Employer desire to retain qualified, experience employees

A tenured, mature law enforcement employee requires less training and supervision. Additionally, their experience commitment to the success of the agency provides an enhanced level of service to the community.

- > Attractive component of compensation package

A housing assistance program that favorably impacts law enforcement retention efforts and allows employees to live near their workplace and assists them into a home they otherwise could not afford will be a significant component of any compensation package and one that competes with the compensation packages of other law enforcement agencies and the private industry.

- > Similar plans have been implemented in Silicon Valley

Though their success is limited, similar programs have been successfully implemented in Silicon Valley agencies which can help promote the urgency of the issue.

Identification of Stakeholders and Analysis

To increase the opportunity for the plan to be successful, the identification of key individuals and groups and their stake in the plan is necessary. These stakeholders are individuals or groups who can impact the plan, or who might be impacted by it. The stakeholders may be either internal or external to the organization and, to varying degrees, they all have influence on the implementation of the plan. Some stakeholders can be described as emerging, in that their influence upon the implementation of the plan is either minimal or anticipated at a later time. The successful implementation of this or any plan is dependent upon the stakeholder's ability to work collaboratively.

The person(s) charged with implementing the plan must recognize the roles that the stakeholders play. The stakeholders may all support the change, all may be opposed to it, or there may be a sampling of both. Those attempting to implement change must work to maintain the support of those stakeholders who favor the process, and work to gain the support or develop a plan that incorporates the positions of those opposed to the plan. The stakeholders involved in developing a housing assistance plan along with their roles are listed below:

City Council – Plan developers and administrators; directors of financial support

- > Critical to full buy-in of plan and long-term financial support of program.
- > Recognizes the lack of affordable housing as a critical problem.

- > Dedicated to the retention of employees and reducing recruiting expenses.
- > Committed to fair compensation to employees & quality lifestyles.
- > Committed to providing quality law enforcement services.
- > May be interested in gaining political support of Union.

City Manager – Charged with implementation, control and disbursement of plan funding.

- > Responsible for overall staffing of city employees
- > Responsible for efficient, economically sound law enforcement services
- > Responsible for operating budget and cost controls
- > Must treat all employees fairly and equitably
- > Committed to reducing employee turnover and the related expenses
- > Responsible for limiting liability exposure to city
- > Responsible for long-term fiscal planning and indebtedness for city

Police Management – Program managers; policy directors

- > Responsible for operations of police department
- > Hiring and training of police employees
- > Planning of police services
- > Responsible for the well-being of law enforcement employees
- > Responsible for the daily physical conditions of employees
- > Charged with management of POA contract and city programs
- > Housing assistance program development

Police Labor Union – Politically positioned employee group

- > Interested in affordable housing for its members
- > Charged with the economic and work conditions issues for members

- > Committed to maintaining a strong, tenured workforce

Community – Concerned with quality of police services and a fiscally sound government

- > Supportive of new programs designed to solve retention problems
- > Opposed to increased taxes and expenses of government services
- > Desires a mature, experienced law enforcement workforce
- > Committed to Community Policing philosophy
- > Committed to fiscally responsible investments
- > Committed to financially support housing-retention program

Finance Director – Responsible for fiscal management of city

- > Aware of expenses related to employee turnover
- > Responsible for operating budget and cost controls
- > Responsible for fiscally prudent investments of funds
- > Responsible for protecting city from irresponsible investments
- > Ultimately responsible for housing-retention program oversight, collection and accounting of funds

City Attorney – Responsible for limiting legal exposure to city

- > Responsible for protecting city from liability
- > Responsible for recommending contractual agreements
- > Responsible for mitigating challenges to contractual agreements
- > Responsible for representing city in all legal actions

Board of Directors, LOEF – Responsible for setting program direction and oversight

- > Responsible for design of program and setting goals and objectives
- > Responsible for the solicitation of donations

- > Responsible for investment planning
- > Responsible for distribution management
- > Responsible for long-term program maintenance

Development of Alternative Strategies

As part of any strategic plan, the development of alternatives is often prudent. Three alternative strategies have been developed to address the problems associated with the retention of police officers in light of the lack of affordable housing:

Alternative Strategy I: Remain with the Status Quo

Taking no action to address the housing issue is the simplest course of action at the present time. It is merely a continuation of current practices. Although this is a realistic alternative, the strategy offers nothing to address the issue of affordable housing for police officers. In fact, an agency following this option may actually experience an intensified employee retention problem if other agencies in the area do initiate housing assistance programs and become more attractive to current law enforcement employees. This option will be difficult for those responsible for the management of the organization, as they will have an increasingly difficult time maintaining a satisfactory level of staffing. In all probability, this option will eventually result in lower standards and a very short tenure for police officers. This in turn will lead to a reduction in the quality of police service provided to the community.

Alternative Strategy II: Increased Level of Compensation

Another alternative to address the housing issue for police officers is to compensate the officers at a level that will allow them to purchase a home within the community they are employed or within a reasonable distance. However, this option is very unlikely, particularly in the more affluent communities within Silicon Valley. In these communities, individuals in careers with salaries significantly higher than law enforcement are not able to afford to purchase a home. In addition, prevailing industry standards of compensation for law enforcement would make this an impractical option.

Alternative Strategy III: City Provides Housing

An option that one city in Silicon Valley is preparing to initiate is city provided housing. This program sponsored by the City of San Jose is not only providing housing for its teachers, but it also secures a satisfactory return on the city's investment. Unfortunately, for most cities in Silicon Valley land is at a premium and the option to build city housing is not viable.

Alternative Strategy IV: Develop a Housing Purchase Assistance Program

Police Officers are not purchasing homes in Silicon Valley because their level of income does not qualify them to receive adequate financing. Reducing the amount of money they need to borrow to purchase a home will curb this dilemma, if the reduction is sufficient enough to get them qualified. A Housing Purchase Assistance Program that covers the margin of what an officer can afford with what homes cost may indeed provide a solution to the housing problem.

Considering alternative strategies is an important step in an effective problem solving process. Those individuals who have the responsibility to problem solve can use the process to weigh each of the alternatives and then make a selection that is best suited to address the issue. Each of the first three alternative strategies discussed above has some merit, however, they each have flaws which would limit their effectiveness in addressing this issue. After a great deal of consideration, it is quite clear that the fourth alternative, which is the proposed housing purchase assistance program, will have the most impact on the affordable housing issue for police officers.

Proposed Housing Purchase Assistance Program

Adopting a housing assistance purchase program is a significant undertaking for any governmental agency, especially if it encumbers taxpayer funds for many years. This is true even if the goal of the program is not to make money, but rather to save money in the form of reduced recruiting and training expenses. Most importantly, the purpose of the program is to maintain an effective law enforcement workforce. It is important to realize that we are not facing a simple case of employee turnover, but rather, there is a very real possibility that career tenured law enforcement officers may soon become a thing of the past within regions such as Silicon Valley and it is the high cost of housing which is the most significant factor causing this to happen.

Background

The purpose of the Home Loan Program is to enhance employee recruitment and retention efforts by providing financial assistance to purchase a home. The goal of the

program is to bridge the gap between what an officer can afford and the median price of homes either in the same community in which the officer works or within a reasonable proximity. The program is intended to encourage long-term employment commitments to the city by the officers.

Eligibility

All full-time law enforcement employees are eligible to participate in the program. This includes all sworn law enforcement officers, dispatchers, records personnel, administrative support personnel and community service officers employed on a full-time basis.

Fiscal Support

How to obtain the funding to support such a program is the largest challenge facing the adoption of an innovative housing assistance program. City reserves are a limited resource in most cases that can provide only marginal assistance. Therefore, to create a very sound program, the funding must come from alternative sources.

As noted in Chapter One, the success of Silicon Valley is primarily responsible for the exorbitant price of housing in the area. The theory of supply versus demand and the considerable money in the region chasing too few homes has led to the skyrocketing prices. Ironically, these same individuals who have benefited from the success of Silicon Valley may be the most likely source to help with funding of a housing assistance program for law enforcement officers. Such a program may be called the Law Enforcement Officers Assistance Fund (LEOF). Specifically, this would be a fund in

which individuals and organizations could make tax-deductible donations in accordance with United States Tax Code 501C3.

The Town of Atherton located in southern San Mateo County and within Silicon Valley has a long history of financial support from its residents. For more than thirty years, the Town's Police Activity League (PAL) has enjoyed significant financial support in compliance with state and federal laws regulating charities. In recent months, after the Town suffered an unanticipated loss of operating income which resulted in the elimination of police officer positions, unsolicited Town residents stepped forward and made donations to supplement staffing levels.

The LEOF shall be governed by a Board of Directors and will meet regularly to oversee the program and administer the distribution of funds in the form of housing loans. The Board shall consist of members who live or work in the community and who are committed to public service. Ideally, these individuals will be experienced in the management of venture capital. The Board will direct fundraising activities targeting those who reside within the community and businesses that operate within the geographic area of the municipality.

Every year, the Board shall oversee the investment of contributions into venture capital. As the investment matures, the principle shall be retained by the Board for reinvestment in future years. Profits from the investments, less taxes, shall be distributed to employees who are purchasing housing in compliance with the requirements of the program.

The Board shall have the discretion to change the plan or elect not to make investments. It is important to emphasize that the goal of the Board is solely to develop

and build on a fund to assist officers and other law enforcement employees in the purchase of homes. One of the greatest strengths of a Board governed venture capital fund is that risk is essentially zero for individual employees since they will not be investing any money into the venture capital fund. The Board assumes all risk if investments are not favorable.

The returns of the LEOF are impossible to predict since they depend on market forces and the success of individual venture capital funds. Historical data suggests the possibility of higher returns, however past performance does not guarantee future returns. As an industry, venture capital has returned an average of forty-three percent a year for the past ten years. The performance of the median funds with start dates between 1986 and 1996 ranges from annual gains of eleven percent in the mid-1980s to seventy-nine percent in 1996.⁵¹

Using a conservative internal rate of return assumption of twenty percent,⁵² a single annual investment of two million dollars would ultimately return \$2.3 million for distribution to participants in the form of home loans in the first four years. Using a more aggressive assumption of forty percent,⁵³ \$5.7 million may be available. Of course, the actual returns could range from zero to even higher rates. The principle shall remain in the LEOF and earnings will be distributed in the form of loans.

Program Criteria

Terms of the Employee Home Loan Program Include:

1. Property to be purchased must be within fifteen miles of the city border.
2. Buyer must have sufficient funds committed to the down payment of at least five percent of the purchase price, closing costs, inspections, and all other costs.

3. Property must be classified as a single-family dwelling (house, townhouse, condominium, or mobile home).
4. Buyer must be able to qualify for the primary mortgage from a private lender.
5. Application for the Home Loan Program must be made on the City's Home Loan Program Application. Applicant need not have a specific home selected for purchase prior to submitting the application. Application acceptance/rejection should be determined before a purchasing commitment is made. City will respond to the application within fourteen days of application, and if qualified, the funds will be encumbered for sixty days.
6. The dwelling must be the employee's primary place of residence throughout the term of the loan.
7. There is no maximum purchase price.
8. Payments are deferred for the life of the twenty-year loan.
9. The maximum loan amount is \$250,000. Maximum rate reviewed annually and will be adjusted according to the cost of housing in the area and funds available to the LEOF.
10. The buyer must execute a Promissory Note secured by a deed of trust.
11. Only one city loan can be made per home.
12. There are no maximum income limits.
13. The loan will be due on sale, transfer of any interest, ceasing to use the property as their primary residence, or failure to comply with the loan provisions.
14. If the employee leaves the employment of the city, for any reason, the loan must be repaid within 3 months of the separation date.
15. Zero interest rate applies to city loans.
16. The City will file a second deed of trust on the property with a provision requiring a request for notice form the holder of the first deed of trust.
17. The employee may sell the property, or refinance to pay off the loan, at any time.

Implementation Plan

A program designed to solicit, manage and distribute funding over multiple years must include a carefully designed plan to help assure successful implementation. Paying early attention to the issues and persons involved in the program implementation will encourage those supportive of the program and may deter the program's critics.

Stakeholder Negotiations

Stakeholders are those who may either help the program become successful or those who may hinder the implementation of the program. Stakeholders are:

1. Individuals or groups impacted by what we do
2. Individuals or groups who can impact what we do
3. Snaildarters: unanticipated individuals or groups who will unexpectedly emerge and throw the implementation of the program off track.

To successfully implement a housing purchase assistance program, it will be necessary to negotiate with the stakeholders early in the process to establish support and to develop strategies to deter program detractors. Though complete consensus among all those involved is most likely not a reality, collaborative efforts can lead to consensus with most of the issues.

City Council and City Manager – Their approval is essential to the development of the program and they must be convinced that the program is necessary, the goals are achievable and that the amount of staff time necessary to implement the program is appropriate.

The City Council and City Manager will negotiate:

- > Who will sit on the Board of Directors
- > The staff time to develop, implement and manage the program
- > The specific terms and provisions of the housing assistance program
- > The qualifying criteria for the employees and the disbursement selection process
- > The number of loans distributed
- > The criteria to measure the success of the program.

The City Council and City Manger will not negotiate:

- > The investment strategies of the donations
- > The specific disbursement of loans to specific employees.

Police Management – Their participation is essential to the implementation and day-to-day management of the program. Ultimately, they will benefit from the program with a more mature and experienced workforce and decreased recruiting and training obligations.

Police Management will negotiate:

- > Who will sit on the Board of Directors
- > The specific terms and provisions of the housing assistance program
- > The qualifying criteria for the employees
- > The number of loans distributed
- > The criteria to measure the success of the program
- > The specific disbursement of loans to specific employees
- > The staff time to develop, implement and manage the program
- > Procedures to suspend the program

- > The disbursement selection process

Police Management will not negotiate:

- > The investment strategies of the donations

Police Labor Union – The members of the union are poised to take the most advantage of a housing assistance program. Members will be concerned with a fair and impartial selection criteria of who is selected to receive home loans, and with the long-term financial welfare of members.

Police Labor Union will negotiate:

- > The qualifying criteria for the employees

Police Labor Union will not negotiate:

- > The specific terms and provisions of the housing assistance program
- > The number of loans distributed
- > The criteria to measure the success of the program
- > The specific disbursement of loans to specific employees
- > The staff time to develop, implement and manage the program
- > Who will sit on the Board of Directors
- > The investment strategies of the donations

Community – Most members of the community are concerned with the well being of their law enforcement employees, yet they are usually unaware of the issues and challenges surrounding the retention of law enforcement employees. Since they are the ones who ultimately receive law enforcement services, they stand to benefit from a successful retention program. They will not, however, be involved in the program development.

Finance Director – Any program that encompasses city funds (albeit donations, as in this program) over a multi year period requires the involvement of the finance director, who is responsible for the short and long term financial well being of the city. The finance director must ascertain if the housing assistance program is fiscally sound and that financial liabilities for the city are limited.

Finance Director will negotiate:

- > The specific terms and provisions of the housing assistance program
- > The qualifying criteria for the employees and the disbursement selection process
- > The specific disbursement of loans to specific employees
- > The staff time to develop, implement and manage the program
- > The specific terms and provisions of the housing assistance program
- > The qualifying criteria for the employees
- > The criteria to measure the success of the program
- > Procedures to suspend the program

Finance Director will not negotiate:

- > Who will sit on the Board of Directors
- > The investment strategies of the donations

City Attorney – The city attorney is responsible for limiting liability exposure for the city and must ascertain if the housing assistance program exposes the city to too much risk.

City Attorney will negotiate:

- > The staff time to develop, implement and manage the program

- > The specific terms and provisions of the housing assistance program
- > The qualifying criteria for the employees
- > Procedures to suspend the program

City Attorney will not negotiate:

- > Who will sit on the Board of Directors
- > The criteria to measure the success of the program
- > The investment strategies of the donations
- > The criteria to measure the success of the program

Board of Directors – The Board is responsible for the investment of principle and the investment strategies of the venture capital funds.

Board of Directors will negotiate:

- > Who will sit on the Board of Directors
- > The investment strategies of the donations

Board of Directors will not negotiate:

- > The criteria to measure the success of the program
- > The specific terms and provisions of the housing assistance program
- > The qualifying criteria for the employees
- > Procedures to suspend the program
- > The specific disbursement of loans to specific employees

Implementation Roles

The implementation of a housing assistance program is a large undertaking that requires the commitment and allegiance of those responsible to make the program a reality.

Police Managers – The management of the department must spearhead the efforts to get a housing assistance program established, and it is their responsibility to promote and market the program in its infancy to garner support. Police managers must convert the city council, city manager, finance director, city attorney and the members of the police labor union. Once the program is established, the managers must fairly apply the distribution of the loans and regularly measure the success of the program.

City Council and City Manager – These individuals have the final say in the implementation of a housing assistance program and ultimately will be held accountable for the program's success or failure. They must provide staff with the time and resources to make the program a reality and assure them that they are not venturing into agreements that could expose the city to risk. They must be committed to long-term obligations that will ultimately address the housing affordability issues and be willing to permit staff to adjust the program as necessary to make it more effective.

Finance Director and City Attorney – These individuals must assure the city council and city manager that the housing assistance program is an economically sound program with limited risk to the city. Their roles in the implementation are probably the most specific and detailed, so they must work closely with the police managers and police labor union to make sure the program they present is indeed the desired program.

Police Labor Union – Union representatives have the opportunity and obligation to work closely with program implementers to make sure the final program addresses the agency's retention efforts and provides its members with a unique form of compensation. They must make themselves and the resources of the organization available to all those involved in implementing the program.

Resources Required

There are few tangible resources necessary to implement a housing purchase assistance program. The management of the program can be facilitated through existing accounting and management practices and protocol that are already established in most modern governmental agencies. These include solicitation and collection of cash assets and disbursement of funds. Even if the collected and invested assets are set apart from general fund, existing policies governing the handling of money will continue to be applied.

The initial effort to establish this program will by and large be upon the police managers who must work with all of the stakeholders to make certain that the program is sound, adequately managed, limits risk and is fairly applied. The personnel resources required to manage the program are not significant once the program is established and operating, but again the responsibility to manage the program will fall onto the police managers.

The Governing Board of the LEOF must meet at least quarterly to implement donation drives and to manage the investments. Additionally, the Board must regulate

the amount of funds that can be released from the investments for distribution to law enforcement employees.

Monitoring and Feedback

A process to monitor the success of the program is imperative to determine its effectiveness and to determine if the goal of the program has been achieved. Criteria that can measure a housing purchase assistance program include employee turnover, employee residential proximity, and changes in the median age of employees. Additionally, employee satisfaction can be measured via interviews.

This program, like any new program of this magnitude, may be revised from time to time to ensure its effectiveness. Through careful monitoring of the program and its impact on officer retention, problem areas can be identified and addressed.

Summary

Chapter three provides a structured approach to prepare for desired change that will impact the organization and law enforcement's ability to provide quality services. To that end, an external and internal analysis of the organization was conducted, stakeholders were identified, several alternative solutions were analyzed leading to the selection of the preferred program, and an implementation plan was developed.

With the foundation set for the proposed program through strategic planning, it is imperative that a comprehensive program be developed to implement the change. This will be discussed in the Transition Management phase of the project, which will be the topic of the following chapter.

Chapter IV

TRANSITION MANAGEMENT

Introduction

A Transition Management Plan is imperative to the success of a new program, particularly one such as what is being proposed which spans many years and encumbers significant funding. Commitment to the program from the stakeholders and the identification of relevant issues impacting the program are critical to developing an effective program.

The formation of a housing assistance program in the form of long-term housing loans aimed at the retention of law enforcement employees in any jurisdiction must be comprehensively developed and carefully managed. Any program of this nature is a long-term obligation not only for the governmental lender who, even though donated funds lie outside of General Operating Funds, is responsible for the management of the program, but also for the employee borrower. To aid in the successful implementation of such a program with multiple year ramifications, it is important that all of the involved persons (stakeholders) and the specific legal and ethical issues be addressed up front.

What impact will the implementation of such a program have upon the organization and the community? Will such a program which is so very detailed, somewhat complicated and long-term in nature, accomplish the desired goals? These are questions that must be addressed before the project is ever launched.

As noted in the previous chapter, the program being proposed may not enjoy the full support of all the stakeholders. No matter how careful the program developers are to identify all the potential stakeholders, the possibility of snaildarters exists. Snaildarters

are individuals or entities that inhibit the development of the program. They may or may not have been previously recognized, but their hidden agendas were unknown.

Snaildarters must be recognized as having influence on the process and their positions must be included into the program development. Understanding the positions and arguments of stakeholders is imperative to prepare for the negotiations.

Commitment Planning

Consensus among the stakeholders on the implementation of a housing assistance loan program may indeed be a long shot. Since complete agreement of the terms may not be feasible, working towards consensus on most of the terms may be a more practical goal. Critical mass members are those individuals and groups whose support is essential to accomplish the desired change. Table 4.1 displays the current commitments of these critical mass individuals and the desired level of commitment necessary to accomplish the strategic plan. An X represents their current position, and their desired position is represented by a 0.

CURRENT COMMITMENT TO STRATEGIC PLAN

Critical Mass members	Block the change	Let change happen	Help change happen	Make change happen
City Council		X→		0
City Manager		X→		0
Police Management		X→		0
Police Labor Union		X→	0	
Community		X0		
Finance Director		X→		0
City Attorney		X→		0
Other Departments		X0		

Table 4.1

Those identified as key in the process can be categorized three ways:

1. Change Strategist: those who lay the foundation, manage the boundaries, and craft the vision
2. Change Implementers: those who develop and enact the steps, manage the coordination, and make it happen
3. Change Recipients: those who adapt, or fail to adapt, to the change

Below is a description of the commitment to the change necessary to implement as housing assistance loan program from the Critical Mass Members:

City Council: Change Strategist

The council is responsible for setting policy, fiscal management, and for long term planning. Council members will closely scrutinize any program that will encumber such a substantial amount of city funds even when those funds are earmarked for such a specific use and not part of the city budget. Their support is essential to help the change happen.

City Manager: Change Strategist

The City Manager is responsible for the management of the city under the direction of the City Council, and will be ultimately responsible for the maintenance of the program. The City Manager must oversee the development of the program, assure that it is fiscally feasible, and must be an advocate. The city manager's support is essential to make the change happen.

Police Management: Change Implementer

The Police Management Team is responsible for the management of the police department and for the welfare of those employed there. Additionally, they are charged with staffing the agency and are very aware of the time and financial commitments that filling vacancies take. The managers must take the lead in the development and implementation of the plan. They must work with the finance director to develop a fiscally sound program. Throughout the program implementation, the managers must continue to work with the critical mass members to refine the program and ensure its success. Their support is essential to help the change happen.

Police Labor Union: Change Recipients

The police union is responsible for the welfare of its members and has an interest in reducing the turnover of police personnel. Though they may be instrumental in the development of the program (especially in a political venue), they will ultimately be the ones enjoying the benefits of the program. Union support is essential to help make the change happen.

Community: Change Recipients and Change Implementers

The community is ultimately who will benefit from the retention of experienced police officers. Finances geared towards recruiting and retention can be decreased and redirected, and a more committed, mature and experienced police agency will be providing enhanced service to the community. The Community's encouragement of the

program will give direction to the council members. Community support is necessary to let the change happen.

Finance Director: Change Implementer

The finance director is responsible for the management and control of the budget and for all investments and obligations, short and long-term. Whether or not the program is launched may very well lay with the finance director, who will be expected to make program projections and ultimately analyze the success or failure of the program. The finance director's active involvement working with the board in the preparation and program management is essential to make the change happen.

City Attorney: Change Implementers

The city attorney is responsible, in part, to minimize risk exposure for the city and must work with the finance director and police management to develop the program. The city attorney must take an active role in the preparation of the contracts with the employees and ultimately, will be responsible to defend the city from any challenges. The city attorney is essential to make the change happen.

Other Departments: Change Recipients

The members of other city departments may enjoy the same program being offered to police officers if the city decides to make the program available to all employees. Until that presents itself, the other departments have limited if any

participation in the program development or management. The members of other departments will let the change happen.

Supporting Technologies

Once the critical mass has been identified and their level of commitment has been determined, an environment must be created that will allow for the transition of a housing assistance program. Bringing these individuals or groups together to problem solve may generate additional support for the program and create an atmosphere of collaboration that can make the program even stronger. This method of problem finding further allows critical mass members to identify future problems and address them up front.

Successful transition can also be achieved through “educational intervention.” This provides participants with an understanding of the necessary steps to implement a housing assistance program and also with an opportunity to understand the needs and perspectives of the other participants. Public meetings, staff meetings, internal correspondence, and question and answer sessions can facilitate this transitional method.

Transition Structure

Selecting the best person to head the transition is critical and that person must have the full support of all those involved in the transition. To implement a housing assistance program the most likely person will be a member of the police management team. The manager must have strong management skills, have the ability to work with transition team members and get them to work collaboratively, and ideally will have strong financial or accounting experience.

Only individuals strongly in support of the program should be part of the transition team. Every opportunity should be explored to promote the program both internally and externally to the organization and team members. In compliance with rules of protocol, these individuals should always be available and ready to answer questions about the program.

Responsibility Charting

A responsibility chart provides the framework to identify the responsibilities of the involved individuals or groups during the transition to a housing assistance program. This method clarifies the roles and responsibilities and can reduce conflict during the transitional period. Table 4.2 presents a responsibility chart for transition to a housing assistance program for law enforcement employees.

RESPONSIBILITY CHART						
Decisions	Participants					
	City Council	City Mgr.	Police Mgmt.	Police Union	Finance Dir.	City Atty.
Set Initial Planning Meeting	I	A	R	S	S	S
Select Project Manager	I	A	R	S	S	I
Select Transition Team	I	I	R	I	S	I
Establish Goals and Objectives	I	A	R	I	S	I
Develop Policy Guidelines	I	A	R	I	S	A
Develop Program Standards	I	A	R	I	S	I
Develop Evaluation Criteria	I	A	R	S	S	I
Set Implementation Date	I	A	R	I	I	I
Present Program to Employees	I	I	R	S	I	I
Set Evaluation Date	I	I	R	S	S	I
R = Responsibility (not necessarily Authority)			S = Support (put resources towards)			
A = Approval (right to vote)			I = Inform (to be consulted before action)			

Table 4.2

Summary

This chapter identified those individuals who are critical in the implementation process of a home loan assistance program, their specific responsibilities and desired commitment levels.

Chapter V

SUMMARY, RECOMMENDATIONS, AND CONCLUSIONS

Summary

The officer retention problem that is facing Silicon Valley has been addressed throughout this project and forecast to the year 2010. This was done through issue identification that included environmental scanning, interviews and case studies. Trends and events related to the topic were also identified and analyzed. This project presents the position that the increasing cost of housing will adversely impinge on a small municipal law enforcement agency's ability to retain law enforcement officers by the year 2010. This is based on the forecasted growth of Silicon Valley area and the failure of officer salaries to keep pace.

Though the Silicon Valley was chosen as the model geographic area for this project, the problem is one that faces many parts of the United States. Once the preferred option to address the issue had been identified, specific implementation strategies were presented to make the necessary change happen. This was followed by a transition management plan to ensure the success of the changes.

Recommendations

It is clear that the problem facing the Silicon Valley is profound and all projections indicate that the problem will become worse by the year 2010. Doing nothing to address the issue will result in exaggerated retention problems and the associated financial burdens in the upcoming years. This project recommends the development of a unique fund raising program to provide housing assistance to law enforcement employees

that reflects and mimics the industry that helped cause the problem. Specifically, this means turning to those individuals who inflated the housing market to do what they do best: make money.

These individuals, brought together in the form of a Governing Board, would direct fundraising activities and the investments of principle in venture capital funds. The Board will then direct the disbursement of the interest in the form of home loans for law enforcement employees.

Conclusion

If steps are not taken promptly to address the housing problem for police officers in Silicon Valley, the outlook for them is bleak. Demographics studies show that by 2020, the Bay Area will see its population rise from 6.5 million to almost eight million. This could lead to more serious economic and social consequences for all those who reside here, particularly for law enforcement officers.

But we need not wait for 2010 to arrive to see the consequences. Many law enforcement agencies in Silicon Valley are already suffering staffing shortages because of the lack of affordable housing, and agencies outside of Silicon Valley are luring tenured employees with better and more economical living conditions. Looking into the future suggests that the housing affordability problem in Silicon Valley is not one that will fade away, but rather, it is a problem that will proliferate.

The problem of affordable housing in Silicon Valley is not one that can be solved overnight. However, individual cities can indeed impact the problem by extending programs such as a housing purchase assistance program to its law enforcement

employees. This will not only benefit the individual officers, but the agencies and the communities will be better served by retaining successful and experienced law enforcement employees.

Developing a program to assist officers purchase homes in or near the community in which they work is not only very much needed, but it is the right thing to do. Law enforcement leaders must bear in mind their duty to see to the well being of their officers and they should work diligently to help them live with economic dignity.

APPENDIX A

LIST OF NOMINAL GROUP PARTICIPANTS

- Mr. Carlos Bolanos - Chief of Police, City of Redwood City, CA
- Mr. Sid Smith - CEO and former Police Chief in an expensive housing market
- Mr. Hagop Manuelian - Developer and builder of planned communities
- Mr. Louie Serpas - Mortgage broker
- Officer Brad Mills - Police union president and 100+ mile commuter
- Craig Medlen, Ph.D. - Economics professor
- Mrs. Erin Raiser - Real estate agent and asset manager of affordable/tax credit housing
- Mrs. Nan Chapman - Mayor and city councilperson
- Mr. Phil Raiser - President of a construction company that develops affordable housing and a published author on the senior housing challenges.

APPENDIX B

LIST OF TRENDS

1. "Easy money" in area
2. Not In My Backyard (NIMBY)
3. Employment contracts
4. Availability of venture capital
5. Quality of life
6. Transportation technology
7. Change in career commitment/motivation -- workplace community
8. Safe, quality schools
9. Change in population
10. Home bidding wars
11. Financing state and local government -- where money comes from
12. Impact of environmental laws
13. Emergence of high-density housing
14. Shift of industry out of high density areas
15. Aging of existing homes
16. Longevity on job
17. Attraction/lure of California
18. Rates of inflation
19. Local inflation rate
20. Economic shift to West
21. Immigration changes
22. Cultural changes
23. Change in work ethics -- cultural and generational
24. Changes in tax policy
25. Awareness of problem
26. Minimum hiring standards for police
27. Dot com craze
28. Housing assistance programs
29. Salaries for cops and support services
30. Disparity of wealth -- Have/have not
31. Availability/status of public transit
32. Adequacy of city/county housing programs
33. Population shift to West
34. Home availability/costs
35. Interest rates
36. Job opportunities
37. Demographics
38. Savings/spending patterns of Gen X -- easy money
39. Transportation -- congestion, policies, technology, availability, cost, status
40. Degradation of environment
41. Bay Area's ability to re-invent itself
42. Land use policy

43. Development of social consciousness among new wealth population – young
44. Competition for public funding
45. Emergence of mixed use housing
46. Location, location, location
47. Urban Sprawl
48. Crime trends – rate and nature changes
49. Impact on other support services
50. Alternative work schedules for police officers
51. Housing costs

APPENDIX C

LIST OF EVENTS

1. Consolidation pact of San Mateo County agencies
2. State mandated 3% @ 50
3. State mandated salaries and benefits
4. 75% of local governments adopt longevity benefits
5. 75% of local police departments adopt privatization of non-patrol functions
6. 2000 census identifies a 50% increase in general population
7. City built housing project completed
8. Change in presidency
9. Repeal of Proposition 13
10. State Splits
11. Major power shortage
12. Statewide flooding
13. Devastating meteor
14. Bay Area terrorist attack
15. Stock Market crash
16. Regional labor strike
17. Natural disaster
18. War in Middle East
19. Race/ethnic riot
20. Presidential assassination
21. State legislation adopts mandatory retirement age
22. Windfall trust donated to bay area law enforcement
23. State legislature expands binding arbitration to include non-economic issues
24. Legislation passes to return local funds
25. Oil tanker crashes polluting bay and damaging bridge

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